United Nations E/2007/SR.9

Economic and Social Council

Provisional

11 May 2007

Original: English

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 9th meeting
Held at Headquarters, New York, on Monday, 16 April 2006, at 2.45 p.m.

President: Mr. Čekuolis ..... (Lithuania)

Contents

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development *(continued)*

Reports by the Chairpersons of the Round Tables and statements by representatives of civil society and the business sector

Concluding comments and closure of the special high-level meeting

Corrections to this record should be submitted in one of the working languages. They should be set forth in a memorandum and also incorporated in a copy of the record. They should be sent *within one week of the date of this document* to the Chief, Official Records Editing Section, room DC2-750, 2 United Nations Plaza.

07-30755 (E)

The meeting was called to order at 3 p.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (*continued*) (E/2007/10, E/2007/10/Corr.1 and E/2007/46)

1. **Mr. Akram** (Pakistan), speaking on behalf of the Group of 77 and China, said that the special high-level meeting provided a good opportunity to focus on the central challenges to universal development. Addressing those challenges required clear analysis, clear policies and the political will to implement those policies. The commitments made at the 2005 World Summit included not only the Millennium Development Goals but also the other internationally agreed development goals which had emerged from conferences and summits of the previous decade, including the International Conference on Financing for Development, the Doha Ministerial Conference of the World Trade Organization (WTO) and the World Summit on Sustainable Development held in Johannesburg in 2002.

2. Developing countries had undertaken to devise national development strategies, improve governance and create a macroeconomic climate conducive to growth, trade and investment. Unfortunately, their development partners had not shown similar readiness to fulfil undertakings regarding development assistance and financing, trade, technology transfer and other areas of cooperation. For example, the amount of official development assistance provided in 2006 had decreased, and was likely to decrease further. Overall commitments connected with technology transfer, the environment and migration, as well as specific commitments to the least developed, landlocked and island States, had also suffered.

3. The Group had called consistently for the implementation of the Millennium Development Goals and other internationally agreed development goals to be monitored. While there were some indicators available to measure progress with Goals 1 to 7, specific benchmarks and targets should be developed, with the assistance of the United Nations, the International Monetary Fund (IMF), the World Bank and WTO, to measure progress with Goal 8 and the other internationally agreed development goals, perhaps beginning with a comprehensive matrix of the commitments attached to those goals and then establishing specific benchmarks on the basis of the work of the United Nations Committee for Development Policy and the United Nations Statistical Commission. Specific means of gauging implementation of goals would be an effective tool for the annual ministerial-level substantive reviews and the biennial high-level Development Cooperation Forum to be held by the Council in accordance with General Assembly resolution 61/16.

4. In particular, the ministerial reviews should examine the fulfilment of commitments and provide policy guidance on the operational steps needed for their implementation. The Development Cooperation Forum, which should make international development cooperation more effective, coherent and responsive to national development plans and strategies, should receive and review reports on the operational activities of all United Nations and other development agencies, including the Bretton Woods institutions. Policy issues such as the quality and quantity of development financing and the governance of development cooperation activities needed to be addressed; they might also arise during consideration of the report of the High-level Panel on System-wide Coherence (A/61/836).

5. In addition, the Council must not lose sight of the major and multiple challenges that developing countries faced within an increasingly globalized but unequal international economy. First, while most developing countries found concessional development financing essential to achieving the Millennium Development Goals and national development goals, official development assistance was declining, relying heavily on debt cancellation and restructuring which failed to provide resources immediately usable for development. Second, most bilateral and multilateral development assistance was not responsive to national policies and plans, because most of it was earmarked for sectors and projects determined by donors. For example, during the current year, UNDP would have $1 billion in core funding and $5 billion in non-core, earmarked, funding. Currently, 45 per cent of funding provided by UNDP was for projects or programmes focusing on governance, while only 25 per cent was for programmes focusing on poverty. Moreover, conditionalities were often attached to such development financing, which was tied to procurement from the donor country and was often consumed by expenditure on expensive consultants and experts from

United Nations agencies or donor organizations. Third, the outflow of resources from the developing countries often outstripped the level of development financing received, because of growing trade deficits, transfers of invisibles and flight of capital. Foreign direct investment tended to focus on a small number of dynamic emerging markets, leaving most developing countries starved of investment financing.

6. The well-recognized need for reform of the international financial system stemmed from the growth, integration and volatility of financial and currency markets; from the developing countries' accumulation of almost $3 trillion in foreign exchange reserves, and from the net outflow of resources from developing to developed countries, which had reached over $700 billion in 2006 and stood in the way of global growth and development. The Group supported comprehensive and time-bound reform of the international financial architecture, including greater voting powers for developing countries. Reform efforts should also address the objectives for which IMF had been established: financial stability and access to short-term financing for countries in need of it.

7. The Group also believed that there was too little focus in the Doha Round and other trade negotiations on the development dimension of international trade. The Doha Round, as currently structured, was likely to reduce the substantial subsidies and support for agriculture in developed countries only marginally, while retaining constraints on competitive production in developing countries and threatening food security for the poorest. It was also likely to reduce industrial tariffs drastically, leading some to fear de-industrialization in the less competitive developing countries. The Doha Round would fail to address other development issues including the constraints imposed by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) on sectors such as health and education and the new protectionism established by the countries of the North in forms including anti-dumping measures and new and arbitrary standards. The Doha Round also risked disregarding commitments to provide special and differential treatment to developing countries.

8. Even the least developed countries which had been promised zero-tariff access, free of tariff quotas, to the European Union market and zero-tariff access to other markets, were unlikely to profit from that access because they were unable to supply goods and services on a competitive basis. While the Aid for Trade initiative was a good concept, it was limited in scope. Even if that scope was increased, the initiative would have no meaningful effect for several years.

9. Restraints on access to technology, especially advanced technologies which could address critical development problems, had become a major manifestation of inequality between developed and developing countries. Certain aspects of TRIPS were constraining development and must be reviewed by the United Nations Conference on Trade and Development (UNCTAD), WTO and the World Intellectual Property Organization (WIPO). Furthermore, other technology-control regimes, including those which ostensibly existed for security reasons, must be subject to impartial review by relevant forums including the United Nations Commission on Science and Technology for Development. Ways must be found to fund research and development on the priority problems of developing countries. The relevant international organizations, in cooperation with developing countries, should establish a list of those problems. Arrangements should be then made to direct financing from sources including institutions and corporations in developing countries towards those priority problems.

10. The Group of 77 and China expected deliberations in the United Nations and forums such as the Group of Eight (G-8) to address all the global challenges to universal economic development, prosperity and human well-being, and would pursue its priority goals actively and persistently in all relevant forums, including the forthcoming high-level segment of the Council.

11. **Ms. Wieczorek-Zeul** (Germany), speaking on behalf of the European Union, said that, while she understood the scepticism expressed by some developing countries about the reiteration of old promises, the European Union stood by its commitments and was extremely aware that the international community was already halfway to its target date for the achievement of the Millennium Development Goals. While it was true that official development assistance had declined overall, according to data from the Organization for Economic Cooperation and Development, the European Union had met the official development aid target of 0.39 per cent of gross national income established at the 2002 Barcelona European Union summit one year earlier

than anticipated, in 2005. It had set further ambitious official development assistance targets for 2010 and 2015.

12. The quality and effectiveness of official development assistance must also be addressed. For that reason, good governance and greater transparency were vital. The European Union was committed to improving the division of labour in the field of such assistance and to taking account of best practice, reflecting the concerns in the Paris Declaration. Implementation of the Millennium Development Goals required a strong and coordinated multilateral system. In the current globalized environment, the United Nations was the only organization capable of ensuring fairness for all. Supporting efforts to make it more effective and efficient, the European Union welcomed the recommendations contained in the report of the Secretary-General's High-level Panel on System-wide Coherence (A/61/583).

13. The developed countries must help developing countries to cope with the effects of climate change. The European Union was also determined that gender equality and the empowerment of women should be a major part of the international community's efforts to combat poverty. The Gender Action Plan launched by the World Bank and its partners sought to bring women into every economic field, not merely out of concern for human rights, but out of concern for good economic choices.

14. Globalization created a need for change in the structure of the international financial institutions. Giving developing countries a strong voice in decisions made by the World Bank and IMF was key to preserving those institutions' legitimacy, effectiveness and credibility in the eyes of all stakeholders. Moreover, the European Union believed that all countries must profit from the international trading system and that its current inequities must be addressed. The Doha Round must be brought to a successful conclusion that reflected the development-centred commitments made at the Doha Ministerial Meeting of WTO in 2001. Mindful of the market-access commitments made at the Hong Kong Ministerial Meeting in 2005, and having already pledged €2 billion in support for Aid for Trade, the European Union would strengthen that initiative regardless of the outcome of the Doha Round. However, it recognized that Aid for Trade was not a substitute for development, and hoped that the valuable expertise of UNCTAD would be exploited.

15. The European Union supplied 52 per cent of the world's official development assistance and took the view that, if it was to fulfil its commitments, new and predictable sources of financing for development must be found. Three such sources had been launched: the air ticket solidarity levy, which financed sustainable access to affordable drugs to fight AIDS, tuberculosis and malaria through the international drug purchase facility UNITAID; the International Finance Facility for Immunization (IFFIm), which provided support through the GAVI Alliance for the immunization of children; and the Advance Markets Commitments (AMC) initiative to accelerate research for new and effective vaccines. Despite the differences which separated them, all countries and peoples should join together to fulfil their shared wish to live in a more just and peaceful world.

16. **Mr. Kamal** (Qatar) said that the International Conference on Financing for Development held in 2002 had set a precedent by bringing together partner States and stakeholders to strengthen and unite their efforts to achieve the Millennium Development Goals and, looking beyond the target date of 2015, to support development activities in various fields. The Monterrey Consensus had succeeded in establishing a wide-ranging agreement between developed and developing States, which had recognized their individual responsibilities in fundamental matters such as trade, development assistance, debt reduction and rebuilding of institutions. The International Conference had marked a major breakthrough and a change in attitude regarding official development assistance and established unprecedented cooperation among the United Nations, World Bank, IMF and WTO to improve coherence and coordination.

17. Qatar had been motivated to host international conferences pursuing development-related goals by its belief in the importance of development and the role of the United Nations. International efforts to combat poverty and share the benefits of global growth more fairly and equitably must continue, for the sake of creating a positive impact on stability and consolidating international peace and security. Qatar, which had held the chairmanship of the Group of 77 and China in 2004 and had hosted the second South-South summit in 2005, was committed to global development. It hoped that all the parties concerned,

especially the developed States, would show enough flexibility in the Doha Round to achieve practical results that would be beneficial to all.

18. At the high-level meeting on financing for development held on the margins of the 2005 World Summit, Qatar had offered to host the first follow-up meeting to the International Conference on Financing for Development. That offer had been accepted by the General Assembly in its resolution 61/191, which established that the meeting would be held in Doha in the second half of 2008.

19. **Mr. Miller** (United States of America) said that his delegation wished to comment on the provocative remarks made on behalf of the Group of 77 and China, and first to challenge the assertion that the developing countries had taken all the action they considered was required to create a macroeconomic climate conducive to growth, trade and investment. In his delegation's opinion, those countries would be wise to make more efforts in that regard. Second, in response to the Group's concern that development assistance was unresponsive to the needs and wishes of its members, assistance would be re-evaluated to determine whether it was still required. Third, while the Group objected that the international financial system was unsuited to the needs of its members, and opposed the accumulation of reserves of foreign exchange, it should consider that most of those reserves were generated by developed countries' purchases of goods and services from developing countries, in other words, by the free flow of trade. Those purchases could of course be brought to a halt, thus also halting the accumulation of the reserves in question. Fourth, while the Group objected to TRIPS, that regime maintained the pace of research and development, which in turn brought progress to economies and would help to address future challenges, including climate change.

20. In making its requests, the Group of 77 and China should bear in mind the difficulty of constructing international institutions and maintaining and building globalization and a free and open system of economic interchange compared with the ease of destroying institutions and halting globalization.

21. **Mr. Akram** (Pakistan), speaking on behalf of the Group of 77 and China, said that the remarks by the United States representative were deliberately provocative. The developing countries did not claim to have implemented all their commitments with respect to the Millennium Development Goals and other internationally agreed development goals; they had simply stated that they were sincerely attempting to do so, against all odds. He hoped that the United States representative had not deliberately misinterpreted the Group's statement in that regard.

22. The developing countries valued development assistance but did not welcome assistance in the form of experts who tried to tell them how to govern themselves and how to change their development practices. Similarly, they did not appreciate it when a certain international financial institution sent 100 missions to monitor the implementation of a project in a country that received $10 million in development assistance commitments.

23. In some instances, the actual delivery on one dollar of international development assistance amounted to a mere seven cents. It was important to evaluate how much of the development assistance was actually reaching the poor and how much was being spent on expensive consultants and visiting teams. When a developed country did not undertake to improve the quality of its assistance and did not commit to the target of 0.7 per cent, it was the developing countries that needed to re-evaluate the development assistance provided by that partner.

24. With respect to the accumulation of large foreign exchange reserves, the developing countries needed large reserves to protect their currencies against the volatility of the international financial system. In that regard, it was important to recall the currency crisis that occurred in Southeast Asia in the 1970s, when a run on the currency of certain developing countries had erased development gains that had taken decades to achieve.

25. Finally, TRIPS restricted the developing countries' ability to benefit from the latest technologies. In the case of HIV/AIDS medications, for example, developing countries were not able to produce affordable medications, owing to the constraints of the TRIPS regime.

Reports by the Chairpersons of the Round Tables and statements by representatives of civil society and the business sector

26. **Mr. Deutscher** (Executive Director, World Bank), speaking as Chairperson of Round Table A, on good governance at all levels, said that good

governance required a broader framework that encompassed sound economic policies and institutions, human rights, gender equality and the rule of law. Equal opportunities for entrepreneurship, the promotion of women's rights and capacity-building in education were also important. There was broad agreement that the principle of ownership by developing countries must be respected and supported by donor countries.

27. Poverty reduction could not be achieved unless the issue of corruption was addressed. Oversight agencies should be strengthened, in cooperation with civil society and the media, and transparent and fair market rules should be established to govern business activities. Particular attention should be paid to good governance in extractive industries, where levels of corruption were especially high.

28. Practical steps to strengthen capacity in governance included increasing the accountability of international financial institutions; improving coherence among the major international organizations; encouraging peer reviews by Governments; and strengthening governance at the local and community levels. In that regard, civil society had put forward a specific proposal for setting up structures to enable the poorest people to participate in local decision-making. Governance capacity could also be enhanced through new sources of financing, such as levies on air travel.

29. It had been pointed out that the governance needs of middle-income countries required greater support. Governance in such countries was affected by diverse factors, including remittances, technology transfer and aid levels, all of which needed to be taken into account when elaborating development strategies.

30. With regard to the business sector, it had been suggested that business ethics could be incorporated into high school and college curricula. Corporate governance should extend beyond listed companies to include family-owned firms, while associations and NGOs should be subject to international standards and rules. International organizations should make a greater effort to incorporate social standards in their governance ratings. For example, the World Bank sometimes gave a high rating even when a country did not adhere to international core labour standards.

31. Various lessons had been learned in both the public and private sectors. First, it was clear that information and communications technologies helped to improve transparency and accountability. Second, the universal principles of the United Nations Global Compact played a key role in combating corruption in business communities. Third, the governments of African and Caribbean countries should elaborate governance policies and reforms to correct the weaknesses identified in the country profiles.

32. **Ms. Alexander** (New Rules for Global Finance Coalition) expressed concern that national policy space was diminishing. One factor that constrained policy space was the absorption of aid; in fact, according to the World Bank, 40 per cent of aid to Africa was absorbed rather than spent.

33. Her organization was also concerned that the World Bank and the Organization for Economic Cooperation and Development (OECD) had determined that the quality of poverty reduction strategy papers was insufficient and that the papers therefore could not be used as policy frameworks for development assistance.

34. It was important for government performance rating systems to foster pluralistic policies and support governments with strong social and economic pillars. The systems used by the World Bank and the OECD Development Assistance Committee should not strengthen government accountability to donors and creditors at the expense of accountability to citizens and their elected representatives.

35. Finally, country strategy documents of international donors and creditors, including UNDP, the World Bank and the International Labour Organization, should be considered as co-equal strategies. It was important that developing countries should receive diverse policy advice that fostered the necessary pluralism.

36. **Mr. Aass** (Executive Director, World Bank), speaking as Chairperson of Round Table B, on the voice and participation of developing countries in global decision-making, including in the Bretton Woods institutions, said that the participants had fully agreed that developing countries should have a greater voice in decision-making. The Deputy Managing Director of IMF had made an introductory statement, in which he had stressed that IMF had a universal membership and that all countries were represented on the Executive Board, through constituencies. Voting was weighted and decisions were generally consensus-based.

37. It had been agreed that the World Bank process was contingent on IMF reform. IMF had begun its reform process with a first round of ad hoc increases in quotas for four emerging market economies, namely China, the Republic of Korea, Mexico and Turkey. For its part, the World Bank had offered a special increase in capital shares to 20 countries in the 1990s; however, only four countries had taken advantage of the offer. The second step in the IMF reform process was the elaboration of a road map for a new quota formula, which was expected to be finalized no later than spring 2008. A legal framework for the doubling of basic votes had also been drawn up.

38. With respect to the kind of political processes that would be most effective in advancing efforts to increase the voice and participation of developing countries, it had been widely agreed that such processes must be fully transparent, open and democratic. There had been a debate on the role of informal groups such as the G-7 and the G-20 and the fact that the G-7, in particular, might erode the formal decision-making structures of the Bretton Woods institutions.

39. Concerning the principles governing the allocation of votes in the Bretton Woods and other international institutions, some speakers were of the view that the decision reached on doubling basic votes was inadequate. It had been agreed that low-income countries should have a stronger voice in decision-making and that double-majority voting modalities should be used on a wider scale. Technical work on the possible inclusion of other criteria, such as purchasing power parity, was ongoing.

40. Regarding measures to further strengthen the ability of developing countries and countries with economies in transition to participate in international economic decision-making, participants had discussed ongoing efforts to increase staff resources for executive directors representing large developing country constituencies and to recruit a higher number of developing country nationals. The possibility of according Part II countries, particularly African countries, a greater number of seats on the Executive Board had also been discussed.

41. **Ms. Hanfstaengl** (NGO Committee on Financing for Development) said that the reform efforts of the Bretton Woods institutions should focus on fully involving developing countries and countries in transition in the decision-making process. Other international institutions, such as the Financial Stability Forum and the Bank for International Settlements, also needed to incorporate developing country participation.

42. The NGO Committee on Financing for Development agreed on the need to reach an international understanding on an orderly debt restructuring mechanism. Discussions on the development of a more systematic procedure, which had been initiated following the economic crisis in Argentina, should be relaunched within the United Nations, rather than IMF.

43. The NGO Committee on Financing for Development called on Member States to establish a Global Leaders Forum within the United Nations, as proposed by the High-level Panel on System-wide Coherence. Such a Forum would provide integrated solutions to global economic, social and environmental issues. The United Nations also needed to establish a wider forum of experts to monitor international cash transactions and to enlarge the Committee of Experts on International Cooperation in Tax Matters to include more South members. Finally, Member States were urged to join the new international task force on tax havens and capital flight, which had been recently set up by Norway.

44. **Mr. Ould Mohamed Lemine** (President, Trade and Development Board of the United Nations Conference on Trade and Development), speaking as Chairperson of Round Table C, on realizing the Doha Development Agenda — effective use of trade and investment policies, said that participants had stressed the importance of rapidly completing the Doha negotiations. Failure to do so would weaken multilateralism in trade and would lead many developing countries to conclude bilateral or regional trade agreements, which were generally considered to be more unfavourable.

45. In order to foster sustainable growth and development, multilateral trade negotiations must improve developing countries' access to markets; rebalance the rules governing multilateral trading systems; grant developing countries a margin of political action so that they could maximize the gains and minimize the losses of globalization; and mobilize additional resources with a view to improving the supply capacities of developing countries and limiting

the costs of adjustments and the erosion of preferences. Trade negotiations must take account of the particular needs and constraints of the least developed and landlocked countries, as well as countries with vulnerable economies, and must enable duty-free and quota-free access to the products of all developing countries. In that regard, it was recognized that the 3 per cent exception clause agreed at the WTO Ministerial Conference in Hong Kong could obviate most benefits to market access.

46. Participants underlined the importance of foreign direct investment and pointed out that investments must be adapted to the needs of each country. They also reiterated the need for trade assistance that would improve the capacities of developing countries and enable them to derive benefits from new trade opportunities.

47. In conclusion, the Doha Round should lead to free and open trade for all; most importantly, it should lead to a more equitable system for the most vulnerable countries. It was incumbent on the principal actors to achieve a balanced conclusion as soon as possible by concentrating on key issues such as improving access to agricultural markets and lowering tariffs on industrial products.

48. **Mr. Gavin** (International Chamber of Commerce (ICC)) said that ICC attached great importance to the Doha Round. Trade and exports of developing countries constituted the largest source of funding for development. The timetable for the Round was drawing to a close, while the forces of protectionism were gaining ground in certain key countries. The opportunity to realize the Doha Development Agenda would be lost unless the Round were concluded within a year. He therefore called on all participants in the partnership for development to show increased flexibility and the political will in the short time available to bring the negotiations to a balanced and comprehensive conclusion.

49. In the light of the importance of investment to development, the rise of investment protectionism was contrary to the purposes of the current meeting. He therefore called on Governments to avoid such protectionism and to pursue the necessary policies to attract investment, including transparency, market access, strong protection of investor rights and non-discrimination.

50. Trade and investment issues had, regrettably, become separated and tended to be addressed by different ministries. However, in order to compete in the global economy, business must increasingly engage in both trade and investment. For example, the burgeoning network of current global supply chains had been a major force for the surge of manufactured exports from developing countries. Open investment and trade policies were not sufficient; some coordination at the national level was also needed so that investment and import and export policies supported one another. Such coordination of policies would provide economic opportunities and promote development.

51. Lastly, ICC was strongly opposed to the creation of earmarked taxes targeting specific business. The air ticket solidarity levy, for example, set a very poor precedent for any kind of positive business environment. There was a need to consider the volatility of economic performance in the airline industry and the large number of other taxes imposed on it, as well as the fact that even a small marginal tax could greatly influence the use that a poorer person might make of air transport or the ability of people to take advantage of tourist opportunities, which had been the backbone of many developing country development programmes.

52. **Mr. Loizaga** (Paraguay) said that the Council should take particular note of the issue of trade facilitation, which was currently being addressed within WTO, and of the special needs and interests of the 31 landlocked developing countries in that regard. Among other issues raised at the Round Table discussion, the need for fuller integration of small, vulnerable economies into the multilateral trading system, as outlined in paragraph 35 of the Doha Declaration, also deserved particular attention. Lastly, many developing countries considered that developed countries penalized them through tariff peaks and tariff escalation when they attempted to manufacture value-added products for export. Processing and manufacturing were important to developing countries, as they generated employment, particularly among the neediest segments of the population.

53. **Ms. Peralta** (World Council of Churches) said that the question whether trade and investment liberalization had effectively reduced poverty was fundamentally a moral one. Poor countries and households were significantly less able than rich ones

to take advantage of the opportunities created by market reforms. A recent study by the Carnegie Endowment for International Peace, for example, pointed out that a number of developing countries, especially in sub-Saharan Africa, stood to lose from the Doha Round. If trade was to genuinely advance the development agenda, the multilateral trade system must include rules which ensured special and differential treatment and the principle of less than full reciprocity for developing countries in areas such as industrial tariff reductions. The multilateral trading system must also enable developing countries to develop institutions and pursue strategies reflecting development priorities, especially the promotion of human rights, decent work for all, gender equality and ecological sustainability. Under existing WTO agreements, developing countries could no longer take advantage of many of the innovative development tools used by developed countries in the past. To cite only one example, reverse engineering was restricted by TRIPS. The multilateral trading system must emphasize social protection and provide compensation for vulnerable groups and sectors adversely affected by trade and investment liberalization.

54. **Mr. Ould Mohamed Lemine** (President, Trade and Development Board of the United Nations Conference on Trade and Development), speaking as Chairperson of Round Table C, said that, although it was difficult to summarize such a rich and detailed discussion, he had made every effort to reflect the ideas put forward by the representative of Paraguay. It should also be mentioned that countries currently joining WTO often faced conditions which were more burdensome than those faced by existing members at the time of their accession to membership.

55. **Mr. Gaolathe** (Observer for Botswana), speaking as Chairperson of Round Table D on aid effectiveness and innovative financing for development, said that many of the commitments made to increase the flow of aid to developing countries had not been met. Everything must therefore be done to persuade those who had the means to do so to keep their promises. For example, the commitments made at the G-8 meeting in Gleneagles in 2005 must be fulfilled. Despite promises of substantial increases in aid, in 2006 there had in fact been a decline in the flow of aid to developing countries. Developing countries would have difficulty meeting the Millennium Development Goals unless the resolutions adopted at the International Conference on Financing for Development in Monterrey and similar forums were implemented.

56. Concerning aid effectiveness, the Round Table generally reaffirmed the need for implementation of the Paris Declaration on Aid Effectiveness. Much remained to be done to reach the targets concerning the indicators of progress put forward in the Declaration, including ownership, harmonization, alignment and others. Improving the quality of assistance involved cooperation from international partners on the one hand and recipients on the other. At Monterrey, it had been recognized that most of the burden of improving the economies of developing countries lay with those countries themselves, including responsibility for good governance. Developing countries would first need to mobilize whatever resources they had and then call on the international community to complement what they were doing themselves. It had also been recognized, however, that flows of assistance would be necessary for growth. Moreover, improving effectiveness would require the international community to improve the predictability of assistance. Improved predictability of budget support would help countries with development plans such as Botswana which preferred to work within specific time-horizons.

57. Fragmentation of support could be reduced if international partners were more generous in channelling some of their resources through multilateral institutions such as the African Development Bank, the Asian Development Bank, the Bretton Woods institutions and others. There was concern that the replenishment of the fifteenth meeting of the International Development Association would not reach the desired level. The World Bank was a good example of a multilateral institution which could properly channel resources, in the light of its considerable experience in assisting developing countries. Another example was the soft window of the African Development Bank, called the African Development Fund. Much time was spent on negotiations over replenishing the Fund. If more funding were channelled to institutions like the Bank, there would be a faster flow of resources towards development.

58. Innovative financing could make a contribution to development, but should complement rather than replace official aid flows. The efforts in that regard had been fragmented and uncoordinated. An agency such as

UNDP should be identified to follow up on innovative financing.

59. He noted with satisfaction the efforts by European Union countries to meet the target of 0.7 per cent of gross domestic product for official development assistance. The international community on the whole, however, could do more to ensure that the Millennium Development Goals were reached. One example was the air ticket solidarity levy.

60. There had also been mention during the discussions of the migrant workers from developing countries who remitted considerable sums of money which did not reach their home countries, because conditions at home were not propitious. If conditions at home were improved, some of those remittances could be used to make a positive impact on development. There was also a need to channel the surpluses generated by the private sector. Officials could encourage the private sector, through export credits, for example, to direct flows towards developing countries. Some financing must also continue to be made available to vulnerable middle-income countries so that they did not relapse. Debt relief, like innovative financing, should complement existing flows. There too, the private sector had a role to play. Lastly, efforts should be made to ensure that any financing which flowed to developing countries should be gender sensitive.

61. **Mr. Nechemia** (EurOrient Financial Group) said that the Group represented the first effort to create a private-sector global development bank. At the Round Table, he had suggested that the experience and expertise existing at the multilateral development banks should be shared with the private sector. There was a need for greater transparency, so that the private sector would have a model to follow. Information was vital for private-sector efforts to participate in development. He had personally been involved in such efforts in recent years and had greatly benefited from the transparency shown by the Government of Canada. Although the establishment of private sector development banks might seem a radical proposal, he cited the success of FedEx in performing services more efficiently than the United States Postal Service. The private sector could free resources which were currently being used by international financial institutions and those institutions could use the limited financing resources in areas in which the private sector was not currently active or interested.

62. The Monterrey Consensus had called for the engagement of the private sector in issues of financing for development. The private sector was an engine for economic growth and should take centre stage in global economic affairs. Less developed countries should be integrated into the global financial architecture to reduce the conditionality attached to financing and enable developing countries to tap financial resources currently unavailable to them.

63. Lastly, the private sector should have a greater voice in the present forum and other forums related to financing for development. He therefore proposed the establishment of a private sector desk at the current forum, which could contribute actively to development efforts on an ongoing basis.

64. **Mr. Lawrence** (United States of America) said that, taking into account the debt relief decided at the G-8 summit in Gleneagles in 2005, aid flows in 2006 had not decreased. His delegation welcomed efforts to identify further resources for combating HIV/AIDS, tuberculosis and malaria. However, it opposed any form of airline ticket tax that would be used to mobilize resources for United Nations initiatives, including health initiatives. The imposition of an airline ticket tax would be contrary to civil aviation policies and International Civil Aviation Organization (ICAO) resolutions. An airline ticket tax would discourage air travel and hinder development in countries in which tourism was a catalyst for economic development.

65. **Ms. Lima da Veiga** (Cape Verde) said that it was important to establish environments that were conducive to the transfer of migrants in both countries of origin and receiving countries. In addition, migrants should be helped to develop programmes in their countries of origin.

66. **Mr. Davide** (Philippines) said that one of the innovative financing mechanisms that had been presented to Round Table D had been the Debt for Equity in Millennium Development Goal Projects, which had been proposed at the twelfth ASEAN Summit in the Philippines. That mechanism had been favourably endorsed by ASEAN member States and by the Paris Club and should be taken up by the United Nations Secretariat and relevant technical bodies.

67. **Mr. Rachkov** (Belarus) recalled that at the International Conference on Financing for Development countries had reached a consensus on the

need to ensure appropriate forms of financing for the development process. In addition, the Monterrey Consensus formed the basis for a global partnership for development that was necessary for achieving the Millennium Development Goals. It was difficult for the least developed countries to avoid marginalization because foreign direct investment inflows to them did not exceed 5 per cent of the total such inflows to developing countries. With respect to the WTO negotiations under the Doha Round, it was important that the parties should look beyond their national interests during discussions. In addition, the major commodity exporting and importing countries should take appropriate measures to ensure the stability and predictability of international financial markets.

68. **Mr. Bissio** (Third World Institute), speaking also on behalf of Social Watch, recalled that non-governmental organizations had insisted that debt cancellation should not be considered as an increase in ODA. Further clarification should be provided with respect to the statement made on behalf of the European Union to the effect that new sources of financing were required to achieve the 0.7 per cent target of gross national income for ODA. It seemed reasonable to establish an airport tax, in view of the fact that several airports had already imposed a tax on passengers to finance enhanced security measures. France had not seen a drop in airline travel or tourism as a result of the airline ticket solidarity tax it had established. The amount of money that could be raised by low-income developing countries by establishing similar levels of taxation to those in developed countries would be $140 billion per year, which would be enough to achieve the Millennium Development Goals. However, that revenue was not being collected because of the incentives and tax exceptions given to large businesses rather than to small businesses and citizens. It was hoped that negotiations under the Doha Round would result in a review of the terms of the Monterrey Consensus.

69. **Mr. Onyango** (Food and Agriculture Organization of the United Nations) noted that in the Round Table discussions no reference had been made to the empowerment of women in the context of land degradation and climate change. It might also be useful to consider the impact of the phenomenon of "mission creep" during discussions on aid.

70. **Mr. Etienne** (France) said that the airline ticket solidarity tax established in July 2006 had not discouraged air traffic and tourism. France derived substantial revenue from tourism and it would not be in the national interest to implement a mechanism that might have a negative impact on that revenue. The tax had been well accepted and had provided visible resources for the purchase of medicines to combat HIV/AIDS, tuberculosis and malaria in developing countries. Fifty-two countries had participated in the solidarity fund and 28 countries had decided to establish a fund based on an airline ticket tax. His delegation recognized that there were a variety of innovative funding mechanisms but wished to draw attention to the positive experience acquired in France.

71. **Mr. De la Iglesia** (Observer for Spain) recalled the importance of the conclusions of the Intergovernmental Conference on Middle-Income Countries, which had been held in Madrid in March 2007 and co-sponsored by the Department of Economic and Social Affairs. Over 90 countries, including 51 middle-income countries, had participated in the Conference, which had made a valuable contribution to identifying those countries' needs. The conclusions of the Conference had been considered during the discussions of Round Table A and Round Table D.

72. **Mr. Ocampo** (Under-Secretary-General for Economic and Social Affairs) said that a reference to the Intergovernmental Conference on Middle-Income Countries had been made in the summary of the 2006 special high-level meeting by the President of the Council, which was contained in document A/61/81-E/2006/73. Those conclusions should be included in the future work of the Council and the General Assembly in following up the International Conference on Financing for Development. Several countries, including Jordan and El Salvador, had expressed an interest in convening further meetings on middle-income countries.

73. **Mr. Weisleder** (Costa Rica) recalled that in the discussions of Round Table D the Minister for Foreign Affairs of the Republic of Costa Rica had drawn attention to the Costa Rica Consensus, an initiative that aimed to contribute to enhancing the access of middle-income countries to development funding in the framework of the Intergovernmental Conference on Middle-Income Countries. His delegation invited observations on how to improve that initiative.

74. **Mr. Gaolathe** (Observer for Botswana), Chairperson of Round Table D, said that it should be

possible for the private sector to move forward with plans to establish a private sector development bank with input from the United Nations and Governments. It was important that debt relief and innovative financing mechanisms should not be implemented at the expense of the normal flow of aid. It was clear that the flow of resources resultant from trade liberalization would exceed the resources provided through official sources. With respect to taxation, it should be decided which body should pilot innovative financing mechanisms. In addition, there should be follow-up meetings to the Intergovernmental Conference on Middle-income Countries.

75. **Mr. Nechemia** (EurOrient Financial Group) said that the private sector should not be excluded from discussions on the future of the private sector in international financial markets and development financing. In 2007, the private sector had only been invited to participate in two meetings. It was undeniable that multilateral development banks provided valuable resources to less developed countries. However, a private sector development bank would be able to provide greater benefits to the development process.

76. **Mr. Thull** (Germany) said that the need to find new sources of financing to meet the 0.7 per cent target of gross national income was a separate issue from the discussions on innovative financing for development.

77. **Ms. Ketsela** (World Bank) said that it was clear that the private sector was the main catalyst for growth. However, it was important to focus on maximizing resource flows to developing countries and to be more creative in finding ways to facilitate the participation of the private sector in low-income and post-conflict countries.

Concluding comments and closure of the special high-level meeting

78. **The President** said that the ideas and initiatives that had emerged from the Round Table meetings and plenary session represented a step forward in considering the complex and ambitious development agenda and preparing for the Development Cooperation Forum, the high-level dialogue for development, the twelfth session of UNCTAD and the International Conference on Financing for Development to be held in Doha in 2008. One of the most important tasks was to ensure that the 2008 special high-level meeting made a significant contribution to the International Conference on Financing for Development. It was evident that there had been notable advances because income poverty was decreasing in a significant number of countries. However, sustained growth was not assured and further efforts at the international and national levels were required to work towards the achievement of the Millennium Development Goals.

79. The Monterrey Consensus had provided an important model for multilateralism and had given a voice to all parties with a stake in development to establish a framework for global partnership and good governance. There was a need for comprehensive governance reforms, of which the fight against corruption was a key element. It was encouraging that deliberations within the Bretton Woods institutions regarding suitable representation of developing countries and economies in transition had gathered momentum. The recent communiqués of the International Monetary and Financial Committee and the Development Committee also appeared promising. However, it was still necessary to ensure the suitable participation of developing countries and countries with economies in transition in other international financial forums. While international trade had been growing at a relatively satisfactory pace, it had been noted that it was possible that new forms of protectionism might emerge. That danger might increase if the Doha Round continued to lag or ultimately failed. The achievement of the Doha Development Agenda was as much a political challenge as a technical challenge and it was therefore important to find the political will to complete the negotiations. With respect to aid effectiveness and innovative financing, further progress was crucial in a number of areas, including ownership, predictability of flows, coordination and harmonization, streamlined conditionality, alignment with national development strategies and efficient budget support. During the discussions concern had been voiced regarding the break in the increasing aid trend in 2006. However, the success of pilot projects in promoting innovative sources of finance should be welcomed.

80. He declared closed the special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development.

The meeting rose at 5.50 p.m.